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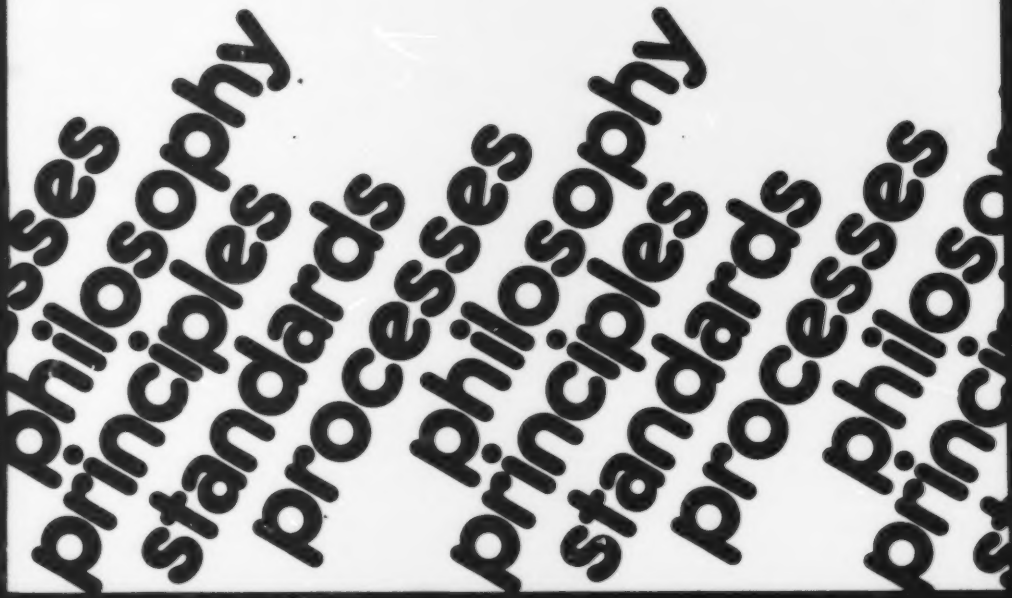
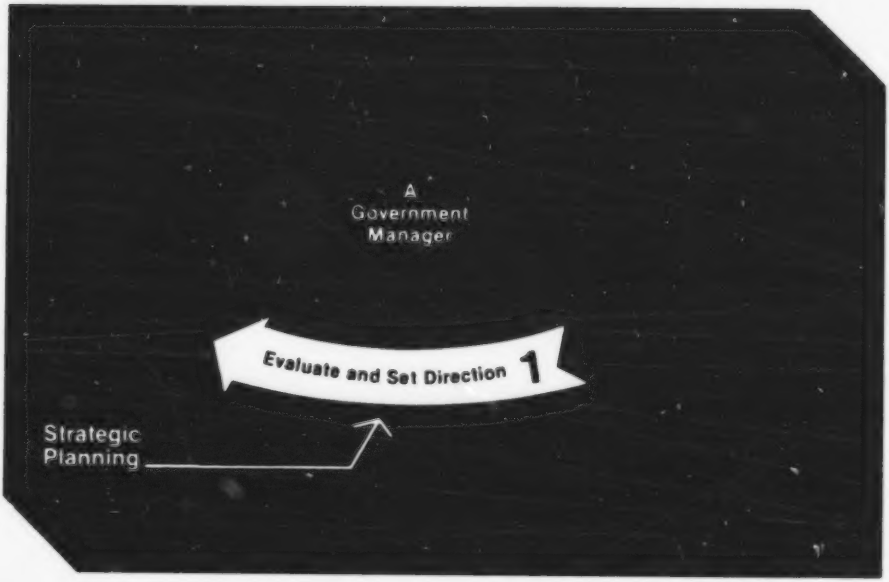
Management
Board
of Cabinet

OPS Management
Series

Strategic Planning



The Management Cycle



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Preface

In March 1980, Cabinet approved the establishment of the Management Standards Project within the Management Board Secretariat. The project's mandate, to lay the groundwork for further improving management in government, includes developing a publication series that contains standards for the quality of management processes.

The Ontario's Principles and Standards of Management series is organized within the framework of the Management Cycle (shown on the inside front cover) and its five sequential management functions.

This booklet describes the ministry management process of strategic planning, which forms part of the "Evaluate and Set Direction" function. It contains standards that were developed by a working group of staff from ministries in consultation with all ministries and central agencies.

These "standards of excellence" are a set of criteria against which ministries can assess the quality of their strategic planning processes. They can be used as a guide for developing a process or for improving an existing one. Perhaps not all ministries will meet all the standards immediately, but every ministry has a process base on which to build. Revision of these standards will be necessary as times and needs change.

Whatever methods of accountability for meeting standards are applied, managers should use them as a basic measure of the quality of their management practices. The motivation for meeting the standards will continue to be self-imposed striving for excellence.

The Management Standards Project gratefully acknowledges the contributions of all those individuals involved in the development of these standards.

1. Introduction

Ontario's Management Philosophy provides a perspective on the challenges inherent in the government environment of the 80s. Increasing public scrutiny through the Legislature and the media result in more open government and greater accountability; at the same time, the emphasis on financial restraint calls for improved effectiveness in meeting the many demands placed on ministries. These conditions require government managers to aspire to a high level of performance in fulfilling their responsibilities.

In order to meet these challenges, managers must seek opportunities to adapt to and influence the environment in which their ministry operates. One of the key practices that can help them in this task is the management process of strategic planning.

Although the development of strategic plans involves managers at other levels, the process and standards described here are specifically addressed to ministry senior management. It is the group that has primary responsibility for advising the government on the direction of the ministry over the long term.

Successful strategic planning is determined as much by management's commitment and way of thinking about the future as it is by adopting the process described in this booklet. It is important that each ministry adapt the process to its unique situation and management style.

2. The Process Summarized

Definition

Strategic planning is a process that enables the senior management group to advise the government on the long-term direction of a ministry and to assess the appropriateness of the ministry's legislated mandate and programs.

Objectives of the Process

The primary purposes of strategic planning are

1. to improve the effectiveness of a ministry as a policy and program delivery instrument of government, and
2. to assist the Minister and Cabinet in making informed decisions.

Strategic planning, when well done, will strengthen the ministry's capability to carry out its mandate in a changing environment. It also will enhance senior managers' advice to the Minister regarding options for broad ministry directions and the long-term implications of decisions that need to be made today.

The process of strategic planning should lead to a statement of direction and expected achievements consistent with overall government priorities. It should identify, in general but realistic terms, how a specific ministry goal can be attained.

A statement of strategy is a realistic, broad plan of action for dealing with a major emerging issue, opportunity, or identified performance need. Ideally, it includes:

- new or reaffirmed ministry goals or objectives;
- broadly described policies or programs required to achieve them;
- identification of factors that are critical to success;
- a general sense of priority to guide subsequent planning; and
- a method for monitoring results and maintaining direction.

The purpose of any ministry strategy is to improve the quality or level of client benefits. Therefore, one of the objectives of strategic planning is to re-assess the fundamental reasons for a ministry's programs and policies, and to determine their effectiveness in meeting client needs.

While the form and content of strategic planning vary among ministries, whenever it is applied the process focuses on the government's need to anticipate and, where possible, influence, environmental change. In particular, strategic planning requires senior managers to contemplate future developments when they are considering their ministry's direction. Such developments may include:

- rapid advances in technology and communications;
- the impact of the information revolution on organization structure, human productivity, and administrative practices;
- increased integration of all dimensions of society (the economic, political, social, and natural environments); and
- opportunities for meeting public needs through various combinations of public, private, and individual action.

Strategic planning also aims to improve a ministry's competence. It encourages senior managers to establish priorities and identify possible trade-offs, so that better results can be achieved with fewer resources. As well, the process aids in designing programs for maximum effectiveness.

Components of the Process

The strategic planning process consists of four major activities:

1. **Organizing.** Defining areas of strategic interest that reflect the activities it should be engaged in; deciding how the process is to be managed and who will participate.

2. **Assessment.** Monitoring and assessing the ministry's external and internal environments to identify strengths, weaknesses, problems, and opportunities.

3. **Strategy development.** Establishing new directions for the ministry through the articulation of goals, objectives, and broad policies; reviewing all program and policy options to determine new directions.

4. **Implementation and review.** Communicating strategic decisions to all appropriate staff in the organization; assigning executive responsibility for the strategic course of action to be taken, and verifying the progress on implementation of plans.

   The four activities are carried out in a cyclical sequence (see Figure 1). Each activity is essential to the process; and for each, specific standards must be met to ensure that strategic planning is effective. These standards are described in the third section of the booklet.

Because strategic planning is an ongoing process, senior managers must build it firmly into their management role. They must develop the skill of "thinking strategically," and commit the time that is required to carry out the process effectively.

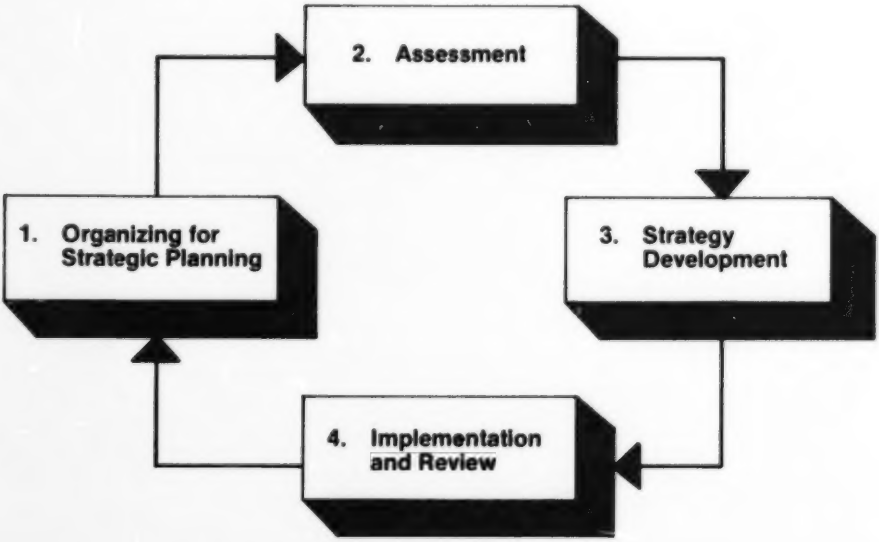
Senior managers must consciously reallocate their time, so that they are able to fulfill their responsibilities for assessing the ministry's present performance and its future direction. They must, individually and as a planning group, make a commitment to apply the strategic planning process.

Strategic thinking must be continuous, so that senior managers can effectively anticipate and respond to changes in the environment. Thinking strategically inc udes:

- detecting early signs of change and making plans to accommodate or modify its effects;
- accepting the role of manager as an agent for change and innovation where appropriate;
- developing creative methods for the effective use of existing resources.
- challenging the assumptions underlying existing programs or plans to ensure that they remain appropriate under changing conditions;
- dealing with issues in the broad context of the ministry's mandate; and
- extending the perception of a manager's role beyond the division, branch or region to the ministry and the government as a whole.

Thinking strategically provides elected representatives with creative options to meet public needs which may be less expensive, more timely, or more responsive and effective.

Figure 1 **Major Strategic Planning Activities**



Linkages with Other Ministry Management Processes

All ministry planning processes are linked within the cycle of management functions. Strategic planning occupies a key position in the sequence. It initiates other processes and guides them toward the ministry's long-term aims and purposes.

Specifically, the ministry's goals, objectives, and broad policies established through strategic planning provide the basis for policy development, priority setting, resource allocation, and the development of detailed operational plans and budgets. The plans developed at successive levels in the ministry organization ultimately reflect the intent of senior management's goals and strategies.

Other internal management processes support strategic planning by providing the information required to develop and adjust strategies. Although strategic planning is the responsibility of senior management, other levels of management are important participants in the process. It is from them that senior managers obtain the information they need to develop strategic plans that are both appropriate and timely. Figure 2 illustrates some of the linkages that exist between strategic planning and other management processes and activities. Figure 3 shows some common misconceptions.

Role in the Broader Context of Government Planning

A ministry's strategic planning process interfaces with planning in the broader government context in essentially three ways: with government-wide decision-making, with planning in other ministries, and (as already described) with other internal management processes. Figure 4 depicts the links between these various processes.

Strategic planning at the ministry level contributes to the effectiveness of government decision-making by Cabinet, the Policy and Priorities Board, and other Cabinet Committees. Specifically, it provides timely and pertinent information about expected changes in the ministry's external environment, possible impacts, and alternative responses.

As well as contributing to government-wide planning, a ministry must seek to compare and adjust its priorities with those of the government and other ministries. A ministry's strategic planning must be responsive to government-wide policies and initiatives such as fiscal restraint, public access, economic development, and energy conservation.

Major direction-setting issues will often require extensive consultation among ministries that share an interest. Dialogue and collaborative strategic planning lead to the development of complementary programs and policies aimed at emerging policy issues that cut across ministry boundaries.

Consistency of a ministry's strategic planning with government-wide planning and in other ministries is fostered by:

- consideration of direction from Speeches from the Throne, provincial budgets, fiscal and manpower strategies, and the Premier's and Ministers' statements;
- review of proposals from the ministry in the form of Cabinet Policy Submissions, Expenditure Forecasts, and Estimates;
- examination of information from interministerial committees, councils, royal commissions, and central agencies; and
- clarification of direction when external environmental conditions change.

Figure 2 **Ministry Policy and Planning Processes**

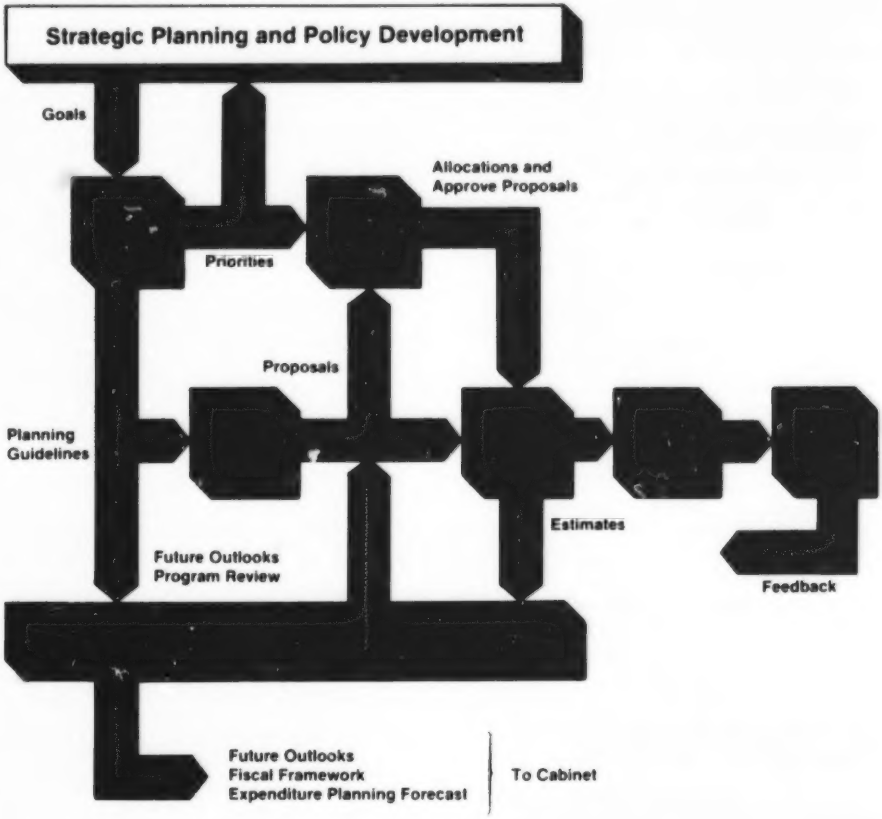
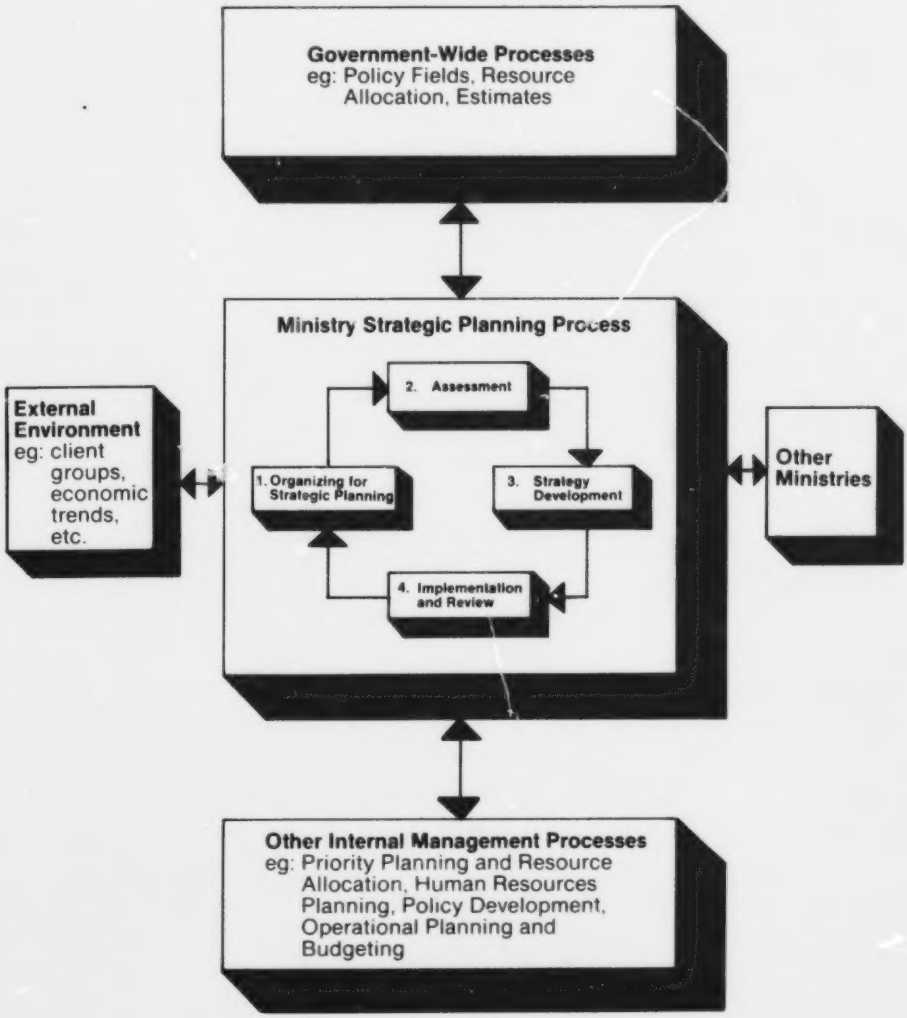


Figure 3 **Common Misconceptions About Strategic Planning**

Strategic Planning Is Not	**Strategic Planning Is**
Policy Development	The process that results in the broad policy direction as the basis for the policy development process, which is: the development, documentation and presentation for approval of proposals to resolve *specific* policy issues
Priority-Planning and Resource Allocation	A broader planning process for defining new ministry directions; provides the framework for making more detailed priority plans and resource allocations over a three- to five-year planning horizon
Long-Range Project Planning	A process of long-range ministry direction setting that may lead to the development of specific long-range projects (e.g., capital or facilities projects in subsequent stages of planning)
The Technique of Forecasting	A process that uses many sources of information and analytical techniques, including the forecasting of external factors that impinge on existing or future activities of the ministry
Annual Operational Planning and Budgeting	An on-going, senior level management process that influences, and can be influenced by, the annual process of operational planning and budgeting.
Management Creativity and Judgement	The balanced use of both the art and science of management
The Making of Future Decisions	The consideration of the future implications of major decisions that a ministry and the government must make today

Figure 4 **Planning Context**


Government-Wide Processes
eg: Policy Fields, Resource Allocation, Estimates
Ministry Strategic Planning Process
2. Assessment
1. Organizing for Strategic Planning
3. Strategy Development
4. Implementation and Review
External Environment
eg: client groups, economic trends, etc.
Other Ministries
Other Internal Management Processes
eg: Priority Planning and Resource Allocation, Human Resources Planning, Policy Development, Operational Planning and Budgeting

3. Process Standards

(i) Organizing for Strategic Planning

Organizing for strategic planning requires senior managers to address several basic questions. What planning effort is to be undertaken? What key areas are to be focussed on? How is the process to be managed? What will be done with the results? How much executive and staff time is to be allocated?

In organizing, or "planning to plan," senior managers build on the foundation for strategic planning that already exists in all ministries. Each ministry and program has a legislated mandate in the Ministry Act, with one or more explicit objectives covering existing programs or policy areas. In addition, many ministries have elements of a strategic planning process in place, with key managers and staff groups involved.

Managing the Process
Managing the strategic planning process is a vital responsibility requiring senior management commitment of time and participation. The Deputy Minister must be the driving force in the process. The Minister also should be involved to the maximum extent possible, since the process results in information and advice to Cabinet.

Specialized staff groups may be given responsibility for co-ordinating and scheduling the process. Staff also may be called upon to identify issues, conduct research, assist in conceptualizing, and provide analysis.

Process Standard:

1. **The Deputy Minister is responsible for organizing, establishing, and directing the strategic planning process within the ministry.**

Strategic Planning Forum
A focal point for senior management dialogue, planning and decision-making is required within the ministry. A permanent forum, such as an executive committee chaired by the Deputy Minister or Minister is essential.

Most ministries already have an executive committee. Where this is the case, strategic planning could be included in its responsibilities. Some ministries prefer to establish a committee with special representation for this task.

Additional ad hoc forums such as search conferences, annual "think tanks," workshops, and planning seminars, which are in evidence in many ministries, also play a valuable role in promoting strategic thinking and dialogue.

Process Standard:

2. **The ministry provides a permanent forum, through its executive committees, for strategic dialogue, planning, decision-making, and periodic review of results.**

Defining Areas of Strategic Interest

Senior managers need to define one or more areas of strategic interest that will provide a focus for the planning process. They should begin by answering two basic questions:

- What public business is the ministry engaged in?
- What public business should the ministry be moving toward or away from in future?

For example, a ministry currently engaged in regulating a mature industry may desire to increase, decrease, eliminate or maintain the level of regulation in the future. These two basic questions must be addressed early in the planning process, and reconsidered regularly as the process continues, to ensure that the planning effort is both coherent and productive.

The definition of an area of strategic interest may be tentative or vague at first, but it will become more clear with further planning. Senior managers may find it helpful to consider the following factors:

- what the legislation says;
- what managers think are the issues of strategic importance;
- what client groups think are the issues of strategic importance; and
- what expectations the government has of the ministry.

The definition of an area of strategic interest should establish:

- suggested changes in the ministry's policy focus. (e.g., trade development; energy security);
- the key factors the ministry should be looking at in strategic planning (e.g., foreign exchange rates; energy demand, supply, and prices);
- a general sense of the highest priorities of the government (e.g., job and investment creation; long-term economic health of province; high quality health care); and
- existing and anticipated limitations including legal, economic, and policy factors (e.g., environmental cost; public safety).

When senior managers have defined their areas of interest, they must obtain the approval of the Minister before they proceed with the planning process.

Process Standard:

3. **The Minister approves the definitions of the ministry's areas of strategic interest.**

(ii) Strategic Assessment

Strategic assessment is directed at the external and internal environments that affect or are influenced by the ministry.

Environmental Scanning

Ministry managers should keep abreast of key factors and events in the external environment that directly or indirectly affect their areas of interest (e.g., unemployment rates by sector or region; changes in federal legislation; changes in population or in specific client groups). Environmental scanning includes the identification, monitoring, and forecasting of these key factors. The use of forecasting techniques is an integral part of environmental scanning.

Some of the major categories from which key factors are drawn are:

- client group characteristics;
- socio-economic trends;
- demographic changes;
- inter-jurisdictional developments;
- technological change; and
- changes in the natural environment.

The factors chosen for scanning are those that are most likely to affect the ministry's existing or contemplated direction. For example, changing perceptions and attitudes of client groups can either impede or enhance the launching of a new program.

Scanning should provide information on the future environment of the minister that is of greatest use to senior managers in strategic planning. This information should incorporate both accepted and divergent views about future conditions.

Process Standard:

4. **Senior management identifies and monitors those factors in the environment that are most likely to have an impact on existing programs and policies and on areas of strategic interest to the ministry.**

Defining Strategic Issues

As part of the strategic assessment activity, senior management identifies and defines emerging issues or potential events that may have a major impact on the ministry. These issues or events could be called "strategic issues."

In order to define strategic issues, senior management engages in systematic review, discussion, and consolidation of the information derived from environmental scanning.

Strategic issues are characterized by the risk, size, and nature of their future impact and by the scope of that impact—on society, the environment, the economy, and the ministry. A strategic issue is therefore one that requires judgement by senior management as to the need for adjustment in direction, policy, or programs, or for the development of contingency plans.

Process Standard:

5. **Senior management identifies and defines emerging issues of strategic importance to the ministry.**

Internal Review

Senior management must ensure that periodic reviews are carried out to assess the ministry's existing organizations, policies and programs. These reviews identify the internal strengths and weaknesses of the ministry. They allow management to recognize what must be changed in order for the ministry to redirect its capabilities toward the resolution of a strategic issue. For example, a skill shortage may impede the ministry's ability to launch a new program immediately.

Internal periodic reviews use information gathered in the fifth function of the Management Cycle, "Monitor and Maintain Direction." Annual results reviews, audit reports, program review studies, performance appraisals, and previous policy submissions, all help to identify a ministry's strengths and shortcomings.

Managers at all levels, especially those involved in program delivery, should be encouraged to advise on problems and opportunities for improvement. In effect, managers are the early warning system for the ministry.

Process Standard:

6. **Periodic reviews are carried out to assess the ministry's existing policies, programs, and organization, and to identify significant strengths and weaknesses.**

(iii) Strategy Development

Strategy development is the critical link between the results of strategic assessment and the advice given to the Minister for decision and action.

The development of a strategy requires senior management's explicit definition of:

- the appropriate responses to one or more strategic issues in terms of altered ministry goals and objectives;
- all feasible alternative strategies that should be considered for addressing the new goals and objectives and for achieving the desired change and result; and
- the reasons for recommending one alternative, above all others, to the Minister and the government for decision.

Strategies must be proposed in written form (for example, a cabinet submission or report) to facilitate decision-making.

They must demonstrate a breadth and depth of analysis that corresponds to the importance of the issue being addressed.

Process Standard:

7. **All feasible, alternative strategies for addressing a strategic issue and an objective assessment of alternatives are presented to senior management and the Minister.**

Intended Results
Many strategies fail because they lack clear, realistic, and verifiable objectives. It is important to state the broad results intended, so that at some future date, the government and the ministry will be able to judge whether an objective has been achieved.

Process Standard:

8. **A strategy includes as part of its stated objective the intended long-term results and the criteria for evaluating achievement.**

Critical Factors
The strategy should identify the various conditions, within and outside the ministry, that may accelerate, support, or delay the strategy's success.

Assumptions regarding these critical factors must be stated explicitly when a strategy is proposed in order to avoid misunderstanding in later planning stages. These assumptions must be regularly examined and challenged when strategies are reviewed and as better information becomes available.

Process Standard:

9. **A strategy includes explicit assumptions about the critical factors that may affect its success.**

(iv) Strategy Implementation and Review

Senior management must decide how and when a strategy is to be implemented. Many good plans fail because of poor implementation.

Success depends on:

- communication within the ministry of a decision by government to proceed in a particular direction;
- clearly assigning responsibility for implementation to the appropriate senior managers;
- periodic review by senior managers and the Deputy Minister of the results expected from the strategy; and
- linkage to other ministry planning and delivery processes to ensure consistency and continuity.

Communication
The more explicit the communication of the ministry's goals and objectives to all managers, the greater the likelihood of understanding and effective implementation. This principle also applies to communication with the public.

Process Standard:

10. **The Deputy Minister ensures that strategic decisions are interpreted, formally recorded, and communicated.**

Assigning Responsibility
The Deputy Minister decides who is responsible for implementing the strategy and how progress is to be monitored. These decisions should be communicated to and clearly understood by senior managers who are responsible for implementation. To ensure comprehensive and consistent action, special attention is required in ministries that have regional organizations for program delivery.

Process Standard:

11. **The Deputy Minister ensures that the responsibility for implementing each strategy is assigned to the appropriate senior executive.**

Review of Results
Reviewing and verifying the results of strategy implementation is an essential part of strategic planning. Regular and systematic review by senior managers allows them to take timely corrective action and ensures continuous commitment to the ministry's goals and objectives.

Process Standard:

12. **The intended, long-term results of the strategy are regularly monitored and reviewed by senior management, and corrective action is taken when required.**

Appendix A

Summary of Process Standards

Organizing for Strategic Planning

1. The Deputy Minister is responsible for organizing, establishing, and directing the strategic planning process within the ministry.
2. The ministry provides a permanent forum, through its executive committees, for strategic dialogue, planning, decision-making, and periodic review of results.
3. The Minister approves the definitions of the ministry's areas of strategic interest.

Strategic Assessment

4. Senior management identifies and monitors those factors in the environment that are most likely to have an impact on existing programs and policies, and on areas of strategic interest to the ministry.
5. Senior management identifies and defines emerging issues of strategic importance to the ministry.
6. Periodic reviews are carried out to assess the ministry's existing policies, programs, and organization and to identify significant strengths and weaknesses.

Strategy Development

7. All feasible, alternative strategies for addressing a strategic issue, and an objective assessment of alternatives are presented to senior management and the Minister.
8. A strategy includes as part of its stated objective the intended long-term results and the criteria for evaluating achievement.
9. A strategy includes explicit assumptions about the critical factors that may affect its success.

Strategy Implementation and Review

10. The Deputy Minister ensures that strategic decisions are interpreted, formally recorded, and communicated.
11. The Deputy Minister ensures that the responsibility for implementing each strategy is assigned to the appropriate senior executive.
12. The intended long-term results of the strategy are regularly monitored and reviewed by senior management, and corrective action is taken when required.

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